

**MINUTES OF THE
JOINT CAPITAL FACILITIES & GOVERNMENT OPERATIONS
APPROPRIATIONS SUBCOMMITTEE MEETING
THURSDAY, JANUARY 24, 2008, 2:00 P.M.
RoomW025, West Office Building, State Capitol Complex**

Members Present:

Sen. Scott K. Jenkins, Committee Co-Chair
Rep. Kevin Garn, Committee Co-Chair
Sen. Mike Dmitrich
Sen. Darin Peterson
Rep. DeMar "Bud" Bowman
Rep. Stephen Clark
Rep. Rebecca Chavez-Houck
Rep. Janice M. Fisher
Rep. Fred R. Hunsaker
Rep. Mark Walker
Rep. Bradley A. Winn

Members Absent: Sen. Sheldon Killpack
Rep. Gordon Snow

Staff Present: Richard Amon, Fiscal Analyst
Bonnie Brinton, Committee Secretary

Public Speakers Present:

Kim Hood, Executive Director, Department of Administrative Services

Doug Richins, Director, DAS Purchasing and General Services (ISF)

Sam Lee, Deputy Director, DAS Fleet Operations (ISF)

Roger Livingston, Director, DAS Risk Management (ISF)

D. Gregg Buxton, Director, DFCM Facilities Management (ISF)

Bruce Whittingham, Assistant Director, DFCM

Robert Thompson, Administrator, Career Service Review Board

A list of visitors and a copy of handouts are filed with the Subcommittee minutes.

Co-Chair Jenkins called the meeting to order at 2:25 p.m.

1. Welcome

Co-Chair Jenkins welcomed the members of the Subcommittee.

2. Approval of Minutes

There were no minutes completed to approve.

3. Department of Administrative Services Appropriated Budgets

This agenda item was completed in the last meeting.

4. Department of Administrative Services (DAS) - Internal Service Funds (ISF) - Kim Hood, Executive Director

Fiscal Analyst Amon stated that the Internal Service Funds (ISF) employ business practices to provide a service or product for other state and governmental agencies. In order to control the size, mission and fees charged to state agencies, the Legislature imposed statutory controls that require ISFs to respond to the legislative budget process. No ISF can bill another agency for its services unless the Legislature has approved the ISFs budget request; approved the ISF's rates, fees, and other charges, and included those rates and fees in an appropriations act; approved the number of FTEs as part of the annual appropriation process; and appropriated the ISFs estimated revenue based upon the rates and fee structure.

Mr. Amon further explained that DAS operates four ISFs that are funded by rates charged to state agencies, higher education, and local governments. Regarding General Fund borrowing, the Analyst illustrated the General Fund debt carried by the DAS ISFs along with their working capital positions. Trends show improving financial conditions with reduced General Fund borrowing and increased working capital. He stated that General Fund borrowing has dropped by 42 percent since FY 2004 after steadily increasing in the prior three years.

The Analyst referred the Subcommittee to an Issue Brief - DAS ISF Rate Change Impacts and explained that this Brief shows the impact of the recommended ISF rate changes for the DAS on State agencies.

a. DAS Purchasing and General Services (ISF) - Doug Richins, Director

Mr. Amon explained that the General Services functions of the Division are budgeted as internal service funds. The programs in this line item include: Administration, Central Mailing, Electronic Purchasing, and Print Service.

Regarding the increase of customers in Central Mailing, the Analyst stated that last year this program received one additional FTE, which helped improve the program's productivity and workload. However, during FY 2008 the mail room added four major customers, necessitating 106 new stops (an increase of 20%). In order to satisfy this demand, the Analyst recommends

the Legislature authorize an increase of two additional FTEs and an additional cargo van for the program paid for by user fees.

Director Richins responded to questions from Subcommittee members regarding copy machines. He stated that the goal of the program is to provide a service for its customers and break even, not to make a profit.

MOTION: Co-Chair Garn moved to approve the Analyst's recommendations for the DAS General Services (ISF) as follows:

1. Estimated revenues of \$14,233,000.
2. Rates as presented separately.
3. Base FTEs of 50.5.
4. Two additional FTEs and a cargo van for Central Mailing paid for through user fees.
5. Authorized Capital Outlay of \$3,193,600 to be used if needed for self-service copiers (\$2,808,600) and mail equipment (\$385,000).

The motion passed unanimously with Sen. Dmitrich and Reps. S. Clark and Walker absent for the vote.

b. Fleet Operations - Sam Lee, Deputy Director

The issue of rate decreases in salvage value was discussed by the Analyst. He stated that the current lease rates for all fleet vehicles are calculated using a 17 percent salvage value. Over the last few years Fleet has recognized gains on the sale of fleet vehicles over and above the 17 percent value. In order to reduce this gain and reduce the rate to users, Fleet proposes to increase the salvage value for sedans to 18 percent and for selected trucks, vans, and SUVs to 21 percent. This will result in a net reduction of \$1,026,000 in revenues to Fleet and charges to users if approved. The Analyst recommends adopting this new rate.

The Analyst also discussed the new rate for seasonal use vehicles. The Division requests a new rate to eliminate the overcharging of depreciation when vehicles are kept in service past their scheduled turn-in date. This new proposal is for a flat rate of \$150 per month for seasonal vehicles. The Analyst recommends adopting this new rate.

Further, Mr. Amon explained the Capitalization Credit Program. He stated that after an

agency receives authorization from the Legislature to purchase a vehicle, the agency must provide the upfront cash to purchase the vehicle in addition to an ongoing lease rate to replace the vehicle in the future. Currently if an agency decreases its vehicle count the agency loses the capitalization cost. If that same agency were to add an additional vehicle in the future it would have to upfront the cash to purchase another vehicle. This is a disincentive for agencies to reduce their fleet. In order to incentivize agencies to reduce their fleet, the Division is willing to create a capitalization credit program that would allow agencies to replace vehicles previously turned in without an upfront capitalization cost. To enable the Division to effectively operate this program, the Analyst recommends intent language authorizing the Division capital outlay authority for the amount of the capital credit.

Sam Lee, Deputy Director, stated that he is representing Fleet Operations for Margaret Chambers, Director, who was excused. He responded to Subcommittee member questions regarding repair costs and resale values. He also stated that the Division is currently studying the issue of a current replacement standard for each class of vehicles, some of which may be replaced at 105,000 miles to 125,000 miles from the 90,000 miles currently used.

Rep. Hunsaker asked about the vehicle count in the Division, and the Analyst stated that total vehicle count was up by 41 vehicles in FY 2007 to a total of 7,411 but still down from its peak in FY 2002 of 7,447.

The Analyst explained the intent language regarding the capitalization credit program and recommends the Legislature adopt it with the stipulation that Fleet notify the CFGO Co-Chairs before using any additional capital outlay authority for the reinstatement of divested agency vehicles and that the Division also provide to the Co-Chairs a list of all cars and their values ordered in the current fiscal year but not received before June 30 of that year for which the Division requests non-lapsing capital outlay authority.

Regarding rate changes for volatile fuel costs, Mr. Amon reported that the rates adopted in the 2006 and 2007 General Sessions included an expected rise in fuel prices, so the Division is currently able to absorb rate spikes. The Analyst recommends no change to the Division's rates for fuel costs.

Deputy Director Lee responded to questions regarding the number of vehicles in Fleet Operations which is 7,411. He reported that there are 23,000 State employees. Co-Chair Garn asked how Utah compares with neighboring states with these numbers, and if an analysis had been taken which would justify the number of vehicles to the number of State employees. Mr. Lee stated that each agency controls its own number of vehicles and that there are checks and balances provided in each agency. The Division also monitors those numbers.

Mr. Amon stated that the Governor has asked the Division to pursue alternative fuel options that will improve the air quality and environment of Utah and specifically look at alternative fuel options. He further explained that the Division has selected several criteria for evaluating vehicle purchases to comply with both the Legislature's and Governor's directives. These six criteria are: Cost Effectiveness, Air Quality Emissions, Greenhouse Gas Reduction, Available Infrastructure, Decreased Dependence on Foreign Oil, and Federal EPACT Compliance.

The Analyst reported that the Governor has mandated that the Division include a significant number of hybrid technology vehicles in its 2008 and 2009 replacement cycles. In order to meet the Governor's mandate, the Division will need \$1,300,000 additional capital outlay authority in FY 2008 and \$1,540,000 in FY 2009 to pay for the higher cost of hybrid vehicles. The Analyst recommends the Legislature review this issue.

Ms. Hood and Mr. Lee responded to questions regarding hybrid cars and the Division's policies and requirements. Sen. Peterson stated his opinion that additional funding should be included in the Fleet Operations budget to purchase more hybrid cars.

MOTION: Co-Chair Garn moved to approve the Analyst's recommendation for DAS Fleet Operations (ISF) as follows:

1. Estimated revenues of \$63,504,100.
2. Rates as presented separately.
3. 38.0 FTE
4. Authorized Capital Outlay of \$14,494,000 for FY 2009.
5. Intent Language as follows:

It is the intent of the Legislature that agencies divesting themselves of underutilized vehicles be allowed to participate in the Division of Fleet Operations capitalization credit program reserving future capitalization costs; to replace vehicles if necessary, for up to five fiscal years following the fiscal year vehicles are divested. Fleet Operations may expend additional capital outlay beyond the authorized level, if needed, for the amount of capital credit reserves requested by an agency for the reinstatement of a divested vehicle.

It is the intent of the Legislature that the Division of Fleet Operations shall not lapse capital outlay authority granted within a fiscal year for vehicles not delivered by the end of the fiscal year in which vehicle purchase orders were issued obligating capital outlay funds.

The motion passed unanimously with Reps. S. Clark and Walker absent for the vote.

MOTION: Co-Chair Garn moved to approve an additional \$1,300,000 Capital Outlay authorization for FY 2008 and a \$1,540,000 Capital Outlay authorization in FY 2009 for DAS Fleet Operations (ISF).

Co-Chair Garn withdrew this motion.

MOTION: Co-Chair Garn moved to approve an additional \$1,300,000 Capital Outlay authorization for FY 2008 for DAS Fleet Operations (ISF).

The motion passed with Sen. Peterson voting in opposition to the motion and Reps. S. Clark and Walker absent for the vote.

c. Risk Management - Roger Livingston, Director

The Analyst presented an overview of the Division and stated that Risk Management requests that liability insurance rates stay the same in FY 2009 as they were in FY 2008 and that property insurance rates remain the same for FY 2009. Actual rates will not be known until June when the property insurance companies set rates to begin July 1, 2008. To mitigate this potential unknown, Risk requests that rates remain the same, but that \$1 million of excess retained earnings be transferred from Liability to Property.

Mr. Amon explained that Risk Management proposes to move \$2 million of excess retained earnings in the Liability Insurance Fund to the Owner Controlled Insurance Program (OCIP) as contributed capital in FY 2008. The OCIP currently has a negative cash balance of \$2.8 million and a retained deficit of \$2.7 million. Risk anticipates that by the time all of the OCIP projects are completed and the final premiums are collected, the retained deficit will be approximately \$2 million.

Director Livingston responded to a query from Rep. Hunsaker regarding insuring Utah drivers when they travel out of state. The Director stated that the Division has determined to insure out-of-state travel with excess reserves.

Co-Chair Jenkins asked about individual entities paying for their own out-of-state travel insurance coverage. Mr. Livingston stated that entities who travel out-of-state pay increased premiums for insurance. However, he continued, the maximum swing in cost is kept at 10 percent. Finally, the cost of the insurance is determined by the nature of risk involved.

The Analyst reported that the final transfer Risk proposes in FY 2008 is the reallocation of \$1 million excess retained earnings in the Liability Insurance Fund to the Subcommittee for other priorities. Finally, Risk Management requests one additional FTE to handle issues and training related to charter schools that are insured by the Division. The Analyst recommends that the Legislature authorize an increase of one FTE to the Division of Risk Management to cover charter school liability issues.

MOTION: Co-Chair Garn moved to approve the Analyst's recommendations for DAS Risk Management (ISF) as follows:

1. FY 2009 estimated revenues of \$38,392,300.
2. FY 2008 transfer of \$2 million excess retained earnings from Liability to the OCIP program.
3. FY 2008 transfer of \$1 million excess retained earnings from Liability to the Property program.
4. FY 2008 reallocation of \$1 million excess retained earnings from Liability to the Subcommittee for other priorities.
5. Rates as presented separately.
6. 25.0 FTE
7. An increase of one FTE to cover charter school liability issues.
8. Authorized Capital Outlay of \$100,000.

The motion passed unanimously.

d. DFCM Facilities Management - D. Gregg Buxton, Director

The Analyst stated that in FY 2008 the College of Eastern Utah in Price contracted with

DFCM to maintain and manage its facilities for a rate of \$2,064,162. This is the first higher education contract for DFCM. The fact that an institution would rather contract with DFCM as an outside provider than manage the facilities in-house demonstrates the effectiveness of this program.

Also, Mr. Amon focused attention on the total rate change of \$228,688 for FY 2009, and recommends the Legislature authorize those rate adjustments. He stated that in addition to the rate increases/decreases, four new buildings are being brought online in FY 2009 that will necessitate a rate adjustment. The Analyst recommends approval of three additional FTEs and three additional vehicles for the DFCM ISF. In addition, eight programs require an adjustment for FY 2008 due to scope changes or new locations recently brought into the ISF program.

Bruce Whittington, Assistant Director, DFCM, responded to questions from Subcommittee members.

MOTION: Rep. Hunsaker moved to approve the Analyst's recommendations for DAS Facilities Management (ISF) as follows:

1. Estimated revenues of \$26,352,800.
2. Rates as presented separately.
3. Base authorized FTE level of 138.0.
4. Three additional authorized FTE and three additional vehicles for new buildings.
5. Authorized Capital Outlay of \$56,200 to be used if needed for maintenance equipment.
6. Intent Language authorizing the Division to add up to three FTEs and two vehicles, subject to notification of the Co-Chairs and legislative approval in the next general session as follows:

It is the intent of the Legislature that DFCM's internal service fund may add up to three FTEs and up to two vehicles beyond the authorized level if new facilities come on line or maintenance agreements are requested. Any added FTEs or vehicles will be reviewed and may be approved by the Legislature in the next legislative session.

5. Career Service Review Board - Robert Thompson - Administrator

The Analyst explained that the Career Service Review Board (CSRB) administers the State's grievance and appeals process and is a quasi-judicial body that hears final administrative appeals. He discussed the issue of training for administrator and hearing officers. The statutory Grievance and Appeal Procedures require evidentiary hearings before CSRB hearing officers hired on a contract basis by the Administrator. There is little interaction or discussion amongst the various hearing officers regarding the substantive issues they face and the unique hearings they oversee.

Mr. Amon stated that as a result, there have been occasional inconsistent decisions and billable time spent researching issues previously addressed by another hearing officer. Furthermore, the limited CSRB budget has not permitted adequate training opportunities for the Administrator to stay current on best practices in this area of expertise.

Finally, the Analyst informed Subcommittee members that to help alleviate these issues, the CSRB is requesting an ongoing adjustment of \$5,000 for FY 2009 to be used to better train hearing officers and to provide the Administrator the opportunity to receive annual training.

Robert Thompson, Administrator, responded to questions from Subcommittee members regarding training for administrators and hearing officers.

MOTION: Rep. S. Clark moved to approve the Analyst's recommendations for the Career Service Review Board as follows:

1. A total FY 2009 base appropriation of \$228,200 all from the General Fund.
2. Intent language making the FY 2008 appropriation nonlapsing but limited to uses specified in the language as follows:

Under terms of UCA 63-38-8.1 (3), the Legislature intends not to lapse Item 50, Chapter 1, or Item 46, Chapter 371, Laws of Utah 2007. Expenditure of these funds is limited to: Grievance Resolution - \$5,000.

In addition to the Analyst's recommendations, Rep. S. Clark added a third item to his motion: Place an ongoing adjustment of \$5,000 for FY 2009 on the priority list to be used to better train hearing officers and to provide the Administrator the opportunity to receive annual training.

The motion passed unanimously.

6. Capitol Preservation Board (CPB)

The Analyst discussed the issue of Capitol Hill security. He stated that with the opening of the Capitol in January 2008, the need for additional security on the Hill has increased. The CPB also requests additional Highway Patrol officers on the site to police the premises. The total request is \$2.8 million ongoing FY 2009 and \$1.4 million one-time FY 2008. The request is for 28 additional FTEs.

MOTION: Co-Chair Garn moved to take no action on this agenda item.

The motion passed unanimously.

MOTION: Rep. Bowman moved to adjourn the meeting.

The meeting was adjourned at 3:55 p.m. by Co-Chair Jenkins.

The minutes were reported by Bonnie Brinton.

Sen. Scott K. Jenkins
Committee Co-Chair

Rep. Kevin Garn
Committee Co-Chair